

Interim Report on Petroleum Intelligence Production

The Problem:

"To prepare an analysis of the problem of intelligence production in the field of petroleum intelligence."

Related Problems:

A. The determination of the kinds of petroleum intelligence produced and the petroleum intelligence information available in the various government departments and agencies.

B. The determination of what kinds of national petroleum intelligence are not being produced.

C. The determination of what is required of CIA, in the field of petroleum intelligence, in order to fulfill its responsibilities and mission in the development of national petroleum intelligence.

The determination of the kinds of petroleum intelligence and intelligence information produced by various government departments and agencies.

I. The following government components are producing petroleum intelligence or are in a position to furnish petroleum intelligence information in support of a national petroleum intelligence program.

A. Armed Services Petroleum Board.

See Tab "A"

B. Petroleum Division, State Department

This division is responsible for the formulation and coordination of policy and action in all foreign policy matters pertaining to petroleum and petroleum products.

C. Interior Department

1. Oil and Gas Division

The Oil and Gas Division co-ordinates and unifies Federal petroleum policy and administration for the conservation of the oil and gas resources of the Nation and protection of supply. This division works with the departments and agencies of the Federal Government concerned; serves as the channel of communication between the Federal Government and the petroleum industry and State oil and gas bodies; recommends any steps necessary to safeguard our petroleum future; and reviews technological developments in the field of petroleum and synthetic hydrocarbons fuels for the purpose of co-ordinating Federal policy with respect thereto.

2. Geological Survey

The U. S. Geological Survey deals with petroleum as a resource in the ground. The primary concern is with respect to U.S. petroleum resources. However, this office does produce foreign petroleum intelligence information based on reports of geologists in foreign areas.

3. The Bureau of Mines covers the economics and technology of petroleum production and refining, primarily with regard to U. S. petroleum resources. It maintains a limited number of mineral attache's in the U. S. Foreign Service and has close working relationship with U. S. Oil companies that have foreign interest and investments in order to keep abreast of new developments and for comparative data. This enables the Bureau of Mines to produce foreign petroleum intelligence and intelligence information.

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D. The Department of Commerce

The Fuel Branch, Office of International Trade, is concerned principally with the study and regulation of petroleum export. This Branch produces periodic summaries of foreign stocks and production of petroleum for commercial use.

E. The National Security Resources Board

The Office of Petroleum is primarily a user of petroleum intelligence in the formulation of policies and programs applicable to mobilization of resources for war.

F. The U. S. Tariff Commission

The Chemical Division of this commission is concerned primarily with policies affecting the importation of crude oil and refined products. It is not concerned with intelligence as such.

G. IAC Agencies

1. National Military Establishment.

(a) Navy Department, ONI until recently was engaged in production of foreign petroleum intelligence with particular reference to supply, storage, loading facilities, and related factors affecting naval operations, actual or potential. The 3 May 1949 directive of the Secretary of Defense, Subject: Armed Services Petroleum Board, has transferred the major part of such responsibility to the Petroleum Committee of the Munitions Board. Henceforth ONI will render only support services to the Petroleum Committee in this respect. Navy will derive its essential petroleum intelligence from the Petroleum Committee.

(b) Army Department, ID has produced petroleum intelligence

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as a subsidiary factor in its economic and politico-military estimates. It is anticipated that such production will continue because of its status as a factor in the broader intelligence field. Greater coordination is planned, however, to bring the analysis and production of intelligence into phase with the overall work of the Petroleum Committee. Army field collection facilities will continue to function for the gathering of petroleum intelligence information for all users.

(c) Air Department, D of I, is chiefly concerned with bombing target aspects of petroleum intelligence and plans the continuation of such activity. Intelligence concerning supply for the support of foreign activities will, however, be largely under the control of the Petroleum Committee.

2. State Department, OIR, interests itself in the broad political and economic aspects of petroleum intelligence as they relate to foreign policy and other departmental interests.

II. The Fuels and Power Specialist, Economic Group, ORE, estimates the relative interest in domestic and foreign petroleum interest as follows:

|                                     | <u>U.S. Interest</u> | <u>Foreign Interest</u> |
|-------------------------------------|----------------------|-------------------------|
| Petroleum Committee (formerly ASPB) | 60%                  | 40%                     |
| State Department                    | 20%                  | 80%                     |
| Commerce Department                 | 40%                  | 60%                     |
| U.S. Tariff Commission              | 30%                  | 70%                     |
| Interior Department                 | 80%                  | 20%                     |
| NSRB                                | 80%                  | 20%                     |

The determination of what kinds of national petroleum intelligence are not being produced.

1. The mission of CIA relative to Petroleum Intelligence is considered to be: "To correlate and evaluate petroleum intelligence relating to the formulation of national policy and to the national security, and dissemination of such intelligence within the government, using, where ~~app~~ appropriate, existing agencies and facilities."

2. The ~~function~~ of the Fuels and Power Specialist, Economics Group, ORE, are set forth as follows in the ~~functional~~ statement and applicable job description:

a. To provide expert consultant services within his specialized functional field to the other producing components of ORE and to collaborate with them in the fulfillment of their responsibilities.

b. To review, as required, intelligence produced by ~~members~~ other ORE components and make recommendations regarding the adequacy of treatment of those sections which have a ~~bearing~~ bearing on specialized subject matter.

c. To prepare timely current and staff intelligence reports and estimates on petroleum subjects, which, in the given functional field, are inter-regional or technically specialized in character.

d. To participate in the formulation of the National Intelligence Objectives.

e. To evaluate pertinent intelligence information and intelligence; assess its adequacy, accuracy, and timeliness, and prepare reports of such assessments for the guidance of collection, source, exploitation and producing agencies, to insure that all significant fields of intelligence bearing on the national security are adequately covered.

f. To formulate requirements for the collection and exploitation of intelligence data necessary for the fulfillment of production requirements.

3. The operations of the Fuels and Power Specialist have been largely limited to the consultant aspects of his responsibility. He has functioned a great deal, according to his own statements, as a member or observer on various interagency committees concerned with intelligence. Practically none of his time has been devoted to analysis and evaluation of intelligence information or to the preparation or production of reports or estimates in his field.

4. What production there has been of petroleum intelligence, has been carried out for the most part by the Regional Branches of ORE, with the Fuels and Power Specialist doing a substantive review for accuracy and adequacy.

5. Basic petroleum intelligence , i.e., NIS material, has been produced as required by an outside agency. Although the responsibility will be shifted to the Munitions Board Petroleum Committee, it is anticipated that production will continue on the same or a broadened basis. In this connection the NIS Petroleum Subcommittee, of which the Fuels and Power Specialist is the Chairman, has worked out for Basic Intelligence Group a proposed outline for an NIS Petroleum Supplement. The outline is now under scrutiny by the IAC agencies preparatory to revising it as may be necessary. The petroleum factors of basic intelligence, as a part of the National Intelligence picture, appear to be adequately cared for.

6. Current estimates and staff intelligence reports for which ORE is responsible, and which are needed as National Intelligence support for strategic planning are being done only to a limited extent and by regional branches by specific request. There appears to be no question as to the availability of contributory information, if the requirements, collection, and exploitation facilities of CIA were properly utilized. What is needed in this respect is adherence to the stated functions of the Economics Group and of the Fuels and Power Specialist in order to assure production of these kinds of petroleum intelligence which are not now being produced as they should be.

If CIA is to provide national petroleum intelligence in accordance with its mission, ORE should, as regards:

I. Current Intelligence - Interpret incoming cables, U.S.

Government reports from abroad, newspapers, and trade journals and interviews concerned with petroleum as to significance from political, military, economic, and technological viewpoints, prepare comments, if indicated, and develop more extensive analysis when warranted.

II. Staff Intelligence - Keep abreast of foreign petroleum intelligence and intelligence information. Prepare special and periodic reports significant trends and provide estimates of the petroleum situation. Provide I&S with background and staff support for security survey (i.e., Venezuela Petroleum Industry ).

III. Basic Intelligence - Continue to negotiate and guide the preparation of petroleum sections and supplements of the NIS.

CONCLUSIONS:

There are no great perceptible gaps in available or exploitable petroleum intelligence information. Those materials which have been lacking are procurable through proper use of existing facilities and media.

Petroleum Committee of Munitions Board, as conceived by the Secretary of Defense, is designed to furnish all petroleum intelligence needed by the National Military Establishment, but will require the support of CIA. CIA in turn may expect to be furnished with a greater and broader flow of departmental petroleum intelligence for use in producing national petroleum intelligence.

Basic Petroleum Intelligence is adequate and promises to improve with the transfer of responsibility to the Petroleum Committee and perfection of the Petroleum Supplement to NIS.

Considering the time and energy spent, and the lack of production accordingly experienced, CIA has gained little and lost much by participation in interagency and interdepartmental committees on petroleum. Normal media for exploitation, properly utilized, should be of much greater aid to accomplishment of the mission, and would certainly free the Fuel and Power Specialist for carrying out his proper duties.

The coordination of national petroleum intelligence should be handled as for any other intelligence publications and not by the Fuel and Power Specialist as appears to be his intent.

The Regional Branches of ORE should be relieved of the necessity for attempting to correlate purely petroleum materials and to produce purely petroleum national intelligence. These are proper functions of

the Fuel and Power Specialist who, with the support of the Regional Branches, should be producing the Intelligence.

Pending Petroleum Committee's coming into full operation, final decision as to CIA's relationship with it should be held in abeyance, but ORE should be prepared to discuss programming and support respectively as soon as Petroleum Committee may be ready.

RECOMMENDATIONS:

a. It is recommended that the present ORE representation to inter-agency and interdepartmental committees or panels be withdrawn.

b. It is recommended that the Fuels and Power Specialist be directed to devote his time and concentrate his energy to the normal legitimate functions of his job, i.e. analysis and evaluation of petroleum intelligence information and the production of petroleum intelligence as discussed in this study.

c. It is recommended that a management survey of the Fuels and Power activity of Economics Group be conducted to determine what strengthening of the T/O is necessary to carry out the legitimate functions (minus those cited in Recommendation a.), and that essential recruitment be undertaken as may be indicated.

d. It is recommended that ORE establish and maintain liaison with the Petroleum Committee, Munitions Board, in order to:

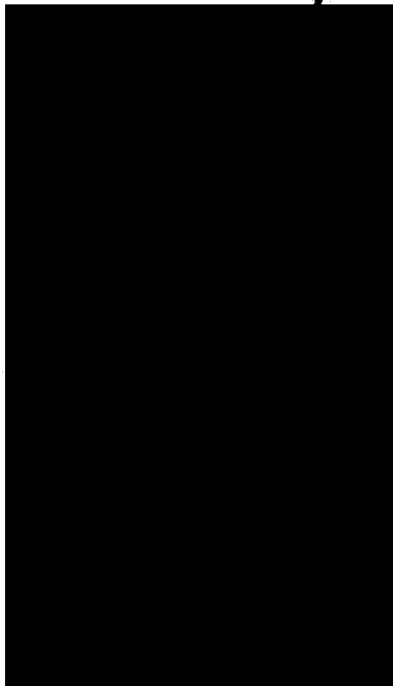
- (1) Negotiate appropriate NIS production.
- (2) Arrange petroleum intelligence programming.
- (3) Derive information with regard to its organization, functions, facilities and support needed, now or in the future.

e. It is most strongly recommended, although this is an interim report and final decision on several factors must be held in abeyance until the Petroleum Committee becomes fully operative, that the above specific recommendations be initiated at once.

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